



SECURITIES AND EXCHANGE COMMISSION  
[Release No. 34-82098; File No. SR-CHX-2017-14]

November 16, 2017

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on November 9, 2017, the Chicago Stock Exchange, Inc. (“CHX” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

CHX proposes to amend the Rules of the Exchange (“CHX Rules”) related to the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the “Limit Up-Limit Down Plan” or “Plan”).<sup>3</sup> The text of this proposed rule change is available on the Exchange’s Web site at [www.chx.com](http://www.chx.com) and in the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (the “Limit Up-Limit Down Release”).

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the CHX included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CHX has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange, together with the Cboe BZX Exchange, Inc.,<sup>4</sup> Cboe BYX Exchange, Inc.,<sup>5</sup> Cboe EDGA Exchange, Inc.,<sup>6</sup> Cboe EDGX Exchange, Inc.,<sup>7</sup> the Financial Industry Regulatory Authority, Inc. ("FINRA"), Investors' Exchange LLC, Nasdaq BX, Inc., Nasdaq PHLX LLC, the Nasdaq Stock Market LLC, New York Stock Exchange LLC, NYSE American LLC,<sup>8</sup> NYSE

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<sup>4</sup> Bats BZX Exchange, Inc. has been renamed Cboe BZX Exchange, Inc. See Exchange Act Release No. 81962 (October 26, 2017), 82 FR 50711 (November 1, 2017) (SR-BatsBZX-2017-70).

<sup>5</sup> Bats BYX Exchange, Inc. has been renamed Cboe BYX Exchange, Inc. See Exchange Act Release No. 81952 (October 26, 2017), 82 FR 50725 (November 1, 2017) (SR-BatsBYX-2017-27).

<sup>6</sup> Bats EDGA Exchange, Inc. has been renamed Cboe EDGA Exchange, Inc. See Exchange Act Release No. 81957 (October 26, 2017), 82 FR 50716 (November 1, 2017) (SR-BatsEDGA-2017-28).

<sup>7</sup> Bats EDGX Exchange, Inc. has been renamed Cboe EDGX Exchange, Inc. See Exchange Act Release No. 81963 (October 26, 2017), 82 FR 50697 (November 1, 2017) (SR-BatsEDGX-2017-41).

<sup>8</sup> NYSE MKT LLC has been renamed NYSE American LLC. See Exchange Act Release No. 80283 (March 21, 2017), 82 FR 15244 (March 27, 2017) (SR-NYSEMKT-2017-14).

Arca, Inc. and NYSE National, Inc.<sup>9</sup> (collectively with the Exchange, the “Plan Participants”) are parties to the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Exchange Act. The Plan Participants initially filed the Plan with the Commission on April 5, 2011, which was published for notice and comment.<sup>10</sup> On May 24, 2012, the Plan Participants filed an amendment to the Plan and the Plan, as amended, was approved by the Commission on May 31, 2012.<sup>11</sup> The Plan Participants filed a second amendment to the Plan, which was immediately effective on January 23, 2013.<sup>12</sup> On February 19, 2013, the Plan Participants filed a third amendment to the Plan, which the Commission approved on April 3, 2013.<sup>13</sup> The Plan Participants filed a fourth amendment to the Plan, which was immediately effective on July 18, 2013.<sup>14</sup> On July 18, 2013, the Plan Participants filed a fifth amendment to the Plan, which the Commission approved on September 26, 2013.<sup>15</sup> The Plan Participants filed a sixth amendment to the Plan, which was immediately effective on December

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<sup>9</sup> National Stock Exchange, Inc. has been renamed NYSE National, Inc. See Securities Exchange Act Release No. 79902 (Jan. 30, 2017), 82 FR 9258 (Feb. 3, 2017) (SR-NSX-2016-16).

<sup>10</sup> See Securities Exchange Act Release No. 64547 (May 25, 2011), 76 FR 31647 (June 1, 2011) (File No. 4-631) (“LULD Proposal”).

<sup>11</sup> See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (File No. 4-631) (“Approval Order”).

<sup>12</sup> See Securities Exchange Act Release No. 68953 (February 20, 2013), 78 FR 13113 (February 26, 2013) (File No. 4-631).

<sup>13</sup> See Securities Exchange Act Release No. 69287 (April 3, 2013), 78 FR 21483 (April 10, 2013) (File No. 4-631).

<sup>14</sup> See Securities Exchange Act Release No. 70273 (August 27, 2013), 78 FR 54321 (September 3, 2013) (File No. 4-631).

<sup>15</sup> See Securities Exchange Act Release No. 70530 (September 26, 2013), 78 FR 60937 (October 2, 2013) (File No. 4-631).

3, 2013.<sup>16</sup> On February 24, 2014, the Plan Participants filed a seventh amendment to the Plan, which the Commission approved on April 3, 2014.<sup>17</sup> On December 24, 2014, the Plan Participants filed an eighth amendment to the Plan, which the Commission approved on February 19, 2015.<sup>18</sup> On July 31, 2015, the Plan Participants filed a ninth amendment to the Plan to extend the pilot through April 22, 2016, and remove Chicago Board Options Exchange as a Plan Participant, which the Commission approved on October 22, 2015.<sup>19</sup> On February 19, 2016, the Plan Participants filed a tenth amendment to the Plan to extend the pilot through April 21, 2017 and make one modification to the Plan, which the Commission approved on April 21, 2016.<sup>20</sup> On August 1, 2016, the Investors Exchange LLC filed an amendment to the Plan to be added to the roster of Plan Participants.<sup>21</sup> By letter dated September 19, 2016,<sup>22</sup> the Plan Participants filed a twelfth amendment to the Plan (“Amendment 12”), which the Commission approved on January 19, 2017.<sup>23</sup> On February 13, 2017, the Plan Participants filed a thirteenth amendment to the Plan,

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<sup>16</sup> See Securities Exchange Act Release No. 71247 (January 7, 2014), 79 FR 2204 (January 13, 2014) (File No. 4-631).

<sup>17</sup> See Securities Exchange Act Release No. 71851 (April 3, 2014), 79 FR 19687 (April 9, 2014) (File No. 4-631).

<sup>18</sup> See Securities Exchange Act Release No. 74323 (February 19, 2015), 80 FR 10169 (February 25, 2015) (File No. 4-631).

<sup>19</sup> See Securities Exchange Act Release No. 76244 (October 22, 2015), 80 FR 66099 (October 28, 2015) (File No. 4-631).

<sup>20</sup> See Securities Exchange Act Release No. 77679 (April 21, 2016), 81 FR 24908 (April 27, 2016) (File No. 4-631).

<sup>21</sup> See Securities Exchange Act Release No. 78703 (August 26, 2016), 81 FR 60397 (September 1, 2016) (File No. 4-631).

<sup>22</sup> See letter from Elizabeth K. King, General Counsel, NYSE, to Brent J. Fields, Secretary, Commission, dated September 16, 2016 (“Amendment 12 Letter”).

<sup>23</sup> See Securities Exchange Act Release No. 79845 (January 19, 2017), 82 FR 8551 (January 26, 2017) (File No. 4-631).

which was approved on April 13, 2017.<sup>24</sup> The Plan Participants filed a fourteenth amendment to the Plan, which was immediately effective on April 13, 2017.<sup>25</sup> The Plan Participants filed a fifteenth amendment to the Plan, which was immediately effective on August 31, 2017.<sup>26</sup>

As of the date of this filing, the Amendment 12 implementation date is November 20, 2017. Amendment 12 provides that a Trading Pause<sup>27</sup> will continue until the Primary Listing Exchange has reopened trading using its established reopening procedures, even if such reopening is more than 10 minutes after the beginning of a Trading Pause, and to require that trading centers may not resume trading in an NMS Stock following a Trading Pause without Price Bands in such NMS Stock.<sup>28</sup> Amendment 12 also provides that a Trading Pause will continue until the Primary Listing Exchange has reopened trading using its established reopening procedures and reports a Reopening Price. Furthermore, Amendment 12 eliminated the current allowance for a trading center to resume trading in an NMS Stock following a Trading Pause if the Primary Listing Exchange has not reported a Reopening Price within ten minutes after the declaration of a Trading Pause and has not declared a Regulatory Halt. In addition, to preclude potential scenarios when trading may resume without Price Bands, Amendment 12 provides that a trading center may not resume trading in an NMS Stock following a Trading Pause without Price Bands in such NMS Stock. To address potential scenarios in which there is no Reopening

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<sup>24</sup> See Exchange Act Release No. 80455 (April 13, 2017), 82 FR 18519 (April 19, 2017) (File No. 4-631).

<sup>25</sup> See Exchange Act Release No. 80549 (April 28, 2017), 82 FR 20928 (May 4, 2017) (File No. 4-631).

<sup>26</sup> See Exchange Act Release No. 81720 (September 26, 2017), 82 FR 45922 (October 2, 2017) (File No. 4-631).

<sup>27</sup> Unless otherwise specified, the terms used herein have the same meaning as set forth in the Plan.

<sup>28</sup> See Amendment 12 Letter, supra note 22.

Price from the Primary Listing Exchange to use to calculate Price Bands, Amendment 12 adopted related provisions to the Plan to address when trading may resume if the Primary Listing Exchange is unable to reopen due to a systems or technology issue or if the Primary Listing Exchange reopens trading on a zero bid or zero quote, or both and how the Reference Price would be determined in such a scenario.

In conjunction with filing Amendment 12, each Primary Listing Exchange filed rule changes<sup>29</sup> with the Commission under Section 19(b) of the Exchange Act to amend their respective trading practice for automated reopenings following a Trading Pause consistent with a standardized approach agreed to by Plan Participants that would allow for extensions of a Trading Pause if equilibrium cannot be met for a Reopening Price within specified parameters. Accordingly, the Exchange is proposing to adopt changes to its rules, as described below, to implement the reopening procedures agreed upon by the Plan Participants that are applicable to the Exchange.

a. Proposal

The Exchange proposes to amend current Article 20, Rule 2A(c)(4) to adopt a requirement of Amendment 12 to only resume trading after a Trading Pause initiated by another exchange upon receiving Price Bands from the Processor. As noted above, Amendment 12 prohibits trading centers from resuming trading in an NMS Stock following a Trading Pause

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<sup>29</sup> See Securities Exchange Act Release No. 81968 (October 27, 2017), 82 FR 50898 (November 2, 2017) (SR-NYSEAMER-2017-30); see also Securities Exchange Act Release No. 81880 (October 16, 2017), 82 FR 48870 (October 20, 2017) (SR-NYSE-2017-51); see also Securities Exchange Act Release No. 79884 (January 26, 2017), 82 FR 8968 (February 1, 2017) (Approval Order for SR-BatsBZX-2016-61); see also Securities Exchange Act Release No. 79876 (January 25, 2017), 82 FR 8888 (January 31, 2017) (Approval Order for SR-NASDAQ-2016-131); see also Securities Exchange Act Release No. 79846 (January 19, 2017), 82 FR 8548 (January 26, 2017) (Approval Order for SR-NYSEArca-2016-130).

without Price Bands in such NMS Stock. The Plan provides that if the Primary Listing Exchange is unable to reopen trading due to a systems or technology issue, trading should be permitted to resume in that NMS Stock upon receiving Price Bands from the processor. The Exchange notes that amended Article 20, Rule 2A(c)(4) is based, in part, on approved amendments to Nasdaq Rule 4120(a)(12)(H), which are not yet operative.<sup>30</sup>

The Exchange does not propose to amend CHX Rules to adopt other requirements of Amendment 12 related to reopening procedures as the Exchange is not currently a Primary Listing Exchange for any NMS Stocks and its primary listing program is currently dormant.

b. Operative Date

The Exchange proposes to implement the proposed rule change in coordination with other Plan Participants on November 20, 2017.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general,<sup>31</sup> and furthers the objectives of Section 6(b)(5) in particular,<sup>32</sup> in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments and perfect the mechanisms of a free and open market, and, in general, to protect investors and the public interest. The Exchange believes that the proposed rule change, together with the approved amendments to the Plan, are necessary or appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to and perfect

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<sup>30</sup> See Approval Order for SR-NASDAQ-2016-131, supra note 29, at 8889-8890.

<sup>31</sup> 15 U.S.C. 78f(b).

<sup>32</sup> 15 U.S.C. 78f(b)(5).

the mechanisms of, a national market system, or otherwise in furtherance of the purposes of the Act.

The Exchange believes the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest, because they are designed, together with the approved amendments to the Plan, to address the issues experienced on August 24, 2015 by reducing the number of repeat Trading Pauses in a single NMS Stock, and to harmonize CHX Rules with the Plan and the rules of other Plan Participants.<sup>33</sup>

The approved Plan amendments are an essential component to Plan Participants' goal of more standardized processes across Primary Listing Exchanges in reopening trading following a Trading Pause, and facilitates the production of an equilibrium Reopening Price by centralizing the reopening process through the Primary Listing Exchange, which would also improve the accuracy of the reopening Price Bands. The approved Plan amendments support this initiative by requiring trading centers to wait to resume trading following Trading Pause until there is a Reopening Price. As such, the Exchange's proposal to amend Article 20, Rule 2A(c)(4) to provide that, if a Trading Pause was initiated by another exchange, CHX may resume trading following the Trading Pause upon receipt of the Price Bands from the Processor would comport CHX Rules with the approved Plan Amendments and, thereby, harmonize CHX Rules with the rules of other national securities exchanges.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed

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<sup>33</sup> See supra note 29.



rule change is not designed to address any competitive issues, but rather, to achieve the Plan Participants' goal of more standardized processes across Primary Listing Exchanges in reopening trading following a Trading Pause, and facilitates the production of an equilibrium reopening price by centralizing the reopening process through the Primary Listing Exchange, which would also improve the accuracy of the reopening Price Bands. The Exchange believes that the proposed rule change reduces the burden on competition for market participants because it promotes a transparent and consistent process for reopening trading following a Trading Pause regardless of where a security may be listed.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>34</sup> and Rule 19b-4(f)(6) thereunder.<sup>35</sup>

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<sup>34</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>35</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>36</sup> normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>37</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative on November 20, 2017. The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest because the Exchange's proposal does not raise any new or novel issues, and the waiver would permit the Exchange to implement the proposed rule change in coordination with other Plan Participants on the Amendment 12 implementation date of November 20, 2017. Accordingly, the Commission hereby waives the 30-day operative delay requirement and designates the proposed rule change as operative on November 20, 2017.<sup>38</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act<sup>39</sup> to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the

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<sup>36</sup> 17 CFR 240.19b-4(f)(6).

<sup>37</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>38</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>39</sup> 15 U.S.C. 78s(b)(2)(B).

foregoing, including whether the proposal is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2017-14 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-CHX-2017-14. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule changes between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the CHX. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information

from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-CHX-2017-14 and should be submitted on or before December 13, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>40</sup>

Eduardo A. Aleman,  
Assistant Secretary.

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<sup>40</sup> 17 CFR 200.30-3(a)(12).

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